



# **Overview of KHPA 2010-2011 Budget Submission**

**House Appropriations Subcommittee on  
Social Services  
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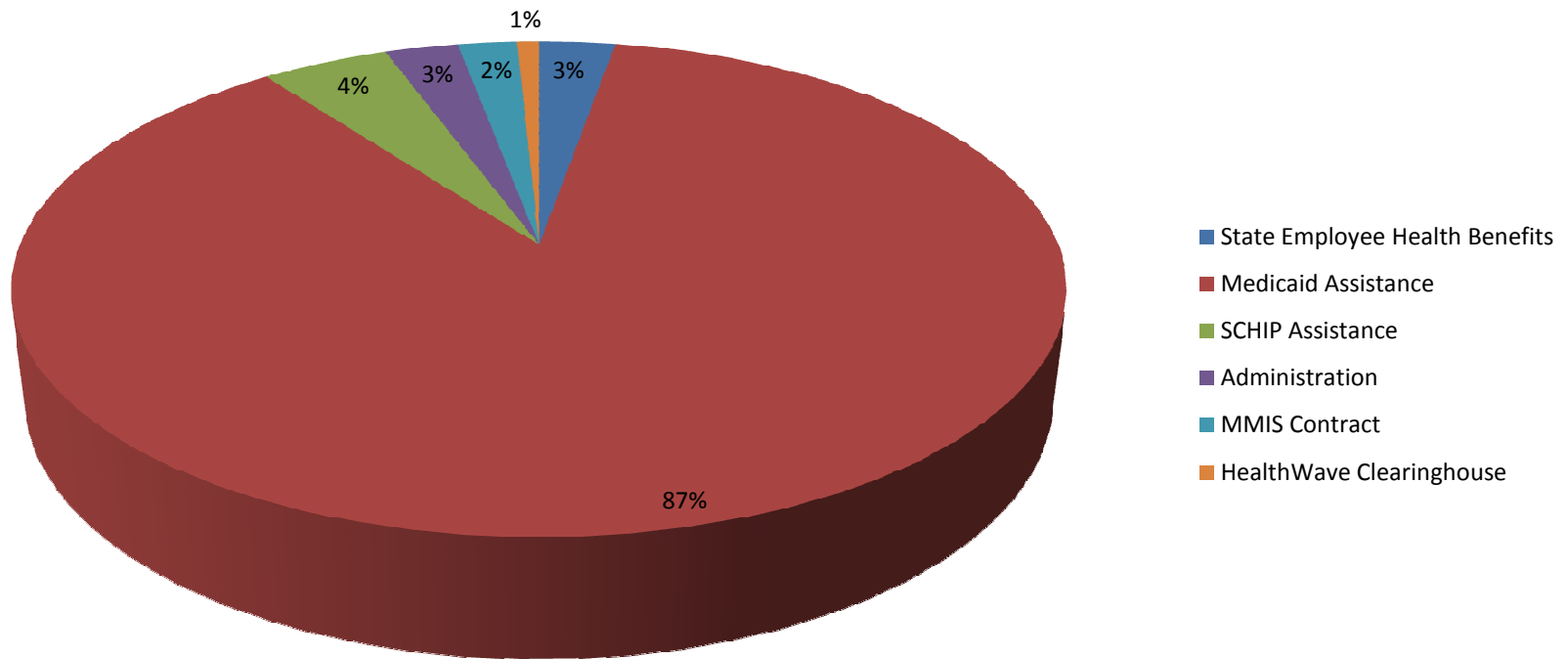


# Brief Overview of KHPA's Budget

- **KHPA's FY 2009 budget was about \$2.6 billion**
  - \$1.36 billion is non-SGF funding for KHPA medical programs
  - \$800 million is federal funds passed through to other Medicaid service agencies (SRS, KDOA, JJA, KDHE)
  - \$450 million is SGF funding for services and operations
- **KHPA programs and operations are funded separately**
  - FY 2009 operational funding was \$23 million SGF
  - Caseload costs are about 20 times larger than operational costs
  - Caseload savings cannot be credited to cost-saving operations
  - The federal government matches Medicaid operations at 50-90%
  - Operational costs for the state employee plan are funded off-budget
- **KHPA FY 2010 budget reductions concentrated on operations**
  - Medicaid caseload protected due to Federal stimulus dollars
  - KHPA operational funding reduced 15.5% versus FY 2009

# KHPA Total Budget

**FY 2010 Approved Budget**  
excluding off budget and transfers



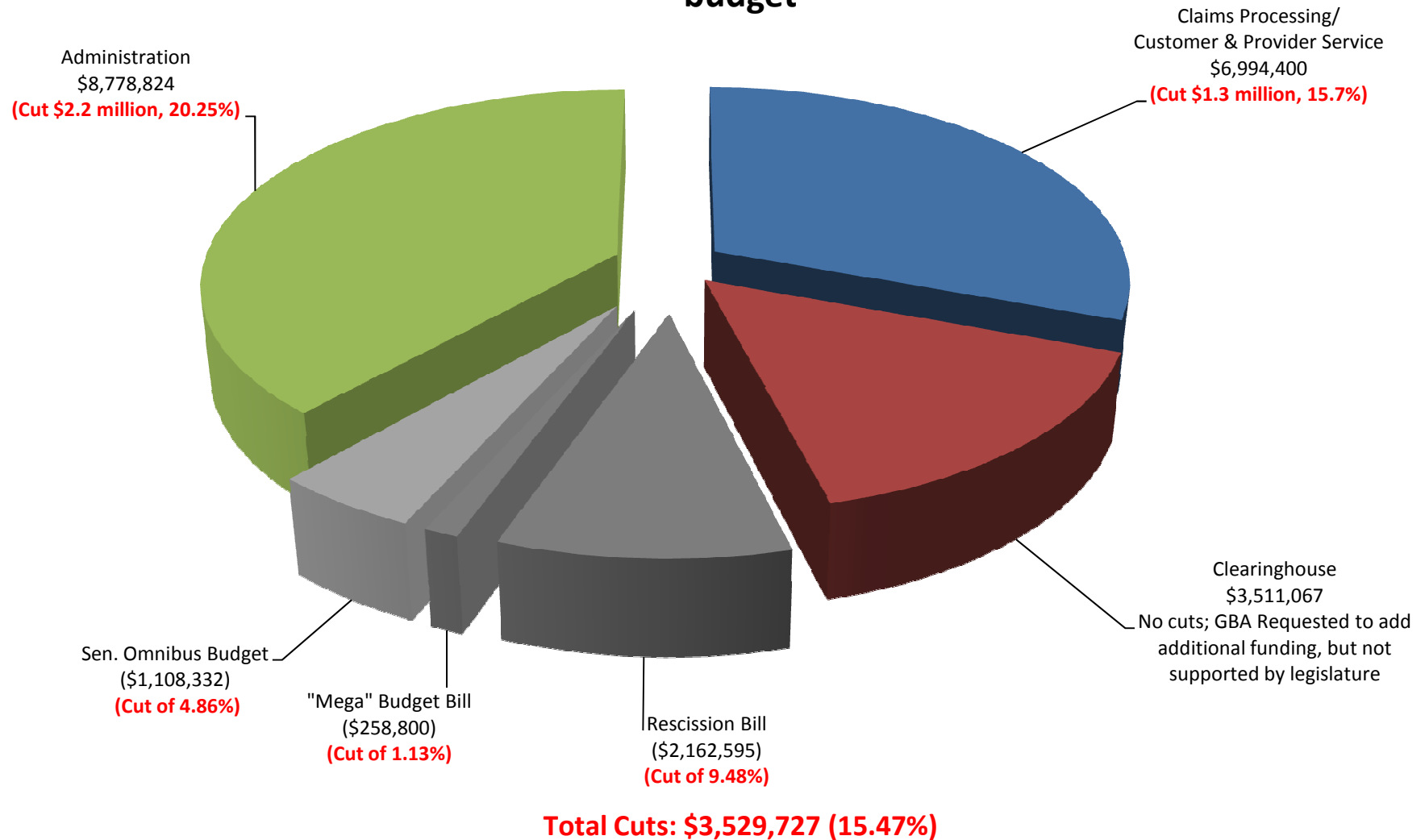


# Summary of Agency Response to FY 2010 Budget Shortfall

- **Reduced internal operational costs by \$2.2 million SGF**
  - Eliminated contracts not directly related to program operation
  - Eliminated 14 positions in July 2009 that resulted in 13 staff layoffs
  - Cumulative staff reductions of 15% with unfilled vacancies
  - Eliminated policy division
  - Reduced executive positions from 5 to 4
- **Reduced contract Medicaid operations by \$1.3 million SGF**
  - Reductions in staffing at the Medicaid fiscal agent (EDS) of 42 FTEs
  - Key areas affected are in customer and provider services
- **Changes to the agency's structure and focus**
  - Eliminated or scaled back policy, communications, and outreach efforts
  - Maintain efforts to identify savings and efficiencies in program costs
  - Extending focus on data-driven efficiency to all KHPA programs
  - Restructured organization to emphasize efficiency and accountability

# KHPA Operational Budget

## Distribution of FY 2010 Budget Cuts as compared to approved base budget





# Impact of Operational Cuts

- **Update: Many thousands of People with Delayed Medicaid/SCHIP Applications through December 2009**
  - Millions of dollars (statewide) in uncompensated or foregone medical care, delayed payments, and foregone federal funding. Needed medical care delayed; negative health outcomes
  - Compliance with Federal deadlines for processing applications at risk
  - Impact reduced by using unexpected contract savings to buy overtime at the Clearinghouse
- **Approximately 40% Cut in Customer and Provider Service**
  - 42 FTE's laid off in July from the Medicaid fiscal agent, EDS (@ Forbes Field)
  - Affects 25,000 Medicaid providers' ability to ensure access for their patients; receive prompt payment for services. Potential delays in care and reimbursement
  - Impact to date has been less than expected: new strategies and efficiencies may have helped, but impact could be delayed or accumulate over time
- **Staff Layoffs: 13 positions (July 2010)**
  - Another 30+ funded positions held open or eliminated with turnover
  - Cumulative reduction in staffing of 15% in one year
- **Transformative projects continue despite downturn and operational reductions**
  - Required re-procurement led to a new clearinghouse vendor who takes over January 1<sup>st</sup>
  - KHPA won \$40 million grant to improve outreach and re-build 20+ year old eligibility system
  - Federally funded health information exchange initiative requires Medicaid-specific efforts



## FY 2010 Governor's Allotments

- FY 2009 Caseload Savings (5,300,000)
- Expansions to Pregnant Women (524,000)
- Increased FMAP Rate (6,300,000)
- No impact on current services



# Key Factors in Developing Budget Recommendations for FY 2011

- **Uncertain revenue forecast**
- **Initial savings target for Governor's Budget is \$2 million SGF**
  - Target based on 5% of operations and SCHIP (not caseload)
- **Caseload costs rise significantly after Federal stimulus payments end in January 2011**
  - ARRA maintenance of effort restrictions on reductions in Medicaid eligibility also end in January 2011.
  - KHPA is not proposing any reductions in eligibility at this time
    - We are in the midst of an extended recession and levels of need are high
    - Reductions in eligibility would require coordination with other Medicaid agencies



# 2011 Budget Overview

	FY 2010	FY 2011	Difference	
Agency Operations	\$ 9,011,552	\$ 8,747,095	\$ (264,457)	(2.93)%
Medicaid & SCHIP	\$ 1,440,740,889	\$ 1,441,543,071	\$ 802,182	.06%
Other Federal Grants	\$ 7,778,774	\$ 1,527,606	\$ (6,251,168)	(80.4)%
SEHBP*	\$ 36,941,794	\$36,902,798	\$ (38,996)	(.11)%
<b>TOTAL</b>	<b>\$ 1,494,473,009</b>	<b>\$1,488,720,570</b>	<b>\$ (5,752,439)</b>	<b>(.38)%</b>

\*State Employee Health Care Claims are Off Budget



# Developing Budget Options for Governor's FY 2011 Budget

- Investments in care coordination and the medical home are deferred, but planning will continue
- Options considered by the KHPA Board reflected informal input from legislators
- Cost-reducing options selected by the Board are focused on improving program efficiency, patient safety and payment equity
- Efforts to develop deeper spending reductions may require a coordinated effort

# Reduction Options Included in Budget 2011 Budget Submission

- Streamline Prior Authorization in Medicaid
  - \$243,000 SGF/ \$952,000 AF
- Mental Health Pharmacy Management
  - \$800,000SGF/ \$2.0M AF
- Align Professional Rates in Medicaid
  - \$3.6M SGF/ \$10.2M AF

# Data-Driven Purchasing

- A constant process of improving efficiency
- Doesn't show up in budget because we can't use caseload savings in our reduced resource budget submission
- Initiated 8 significant Medicaid Transformation changes in 2009 that will save tens of millions annually when complete
- This process continues every day, and will continue to result in decreased caseload growth
- Any consideration of significant reductions in payment rates, eligibility, or optional health services should be coordinated with other agencies.



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